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July 2, 1981

RECORDATION NO. 10840-1425

JUL 2 1981 12:35 PM

INTERSTATE COMMERCE COMMISSION

Mrs. Mildred Lee  
Office of the Secretary  
Interstate Commerce Commission  
Washington, D.C. 20423

Re: National Railway Utilization Corporation/Balard Leasing Corporation

Dear Mrs. Lee:

Enclosed for recordation pursuant to 49 CFR §1116 are six executed counterparts of a Security Agreement dated as of June 30, 1981 for filing with the Interstate Commerce Commission. The Security Agreement perfects a secondary security interest in the following two transactions:

1. Management Agreement dated as of September 7, 1979 between National Railway Utilization Corporation and Balard Leasing Corporation.  
ICC Recordation No. 10815, 9/14/79, 2:00 p.m.

Security Agreement dated as of September 14, 1979 between Balard Leasing Corporation and Girard Bank.  
ICC Recordation No. 10815-A, 9/14/79, 2:00 p.m.

2. Management Agreement dated as of September 14, 1979 between National Railway Utilization Corporation and Balard Leasing Corporation.  
ICC Recordation No. 10840, 9/24/79, 10:30 a.m.

Security Agreement dated as of September 14, 1979 between Balard Leasing Corporation and Bank of Virginia.  
ICC Recordation No. 10840-A, 9/24/79, 10:30 a.m.

Also enclosed is the filing fee for recordation of these documents. The documents are being recorded on behalf of Lease Financing Corporation.

Thank you for your assistance.

Sincerely,

*Ingrid M. Olson*  
Ingrid M. Olson

Enclosures  
IMO:11

SECURITY AGREEMENT

JUL 2 1981 12:35 PM

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT dated as of June 30, 1981 between BALARD LEASING CORPORATION, a Pennsylvania corporation, with its principal place of business at Suite 400, 3 Radnor Corporate Center, 100 Matsonford Road, Radnor, PA 19087 (the "Debtor") and LEASE FINANCING CORPORATION (the "Secured Party"), a Pennsylvania banking corporation, with an office at Suite 400, 3 Radnor Corporate Center, 100 Matsonford Road, Radnor, Pennsylvania 19087.

To secure the due and punctual payment of the principal and interest payable under the Debtor's non-recourse promissory Note (the "Note") of even date herewith payable to the order of Secured Party, in the principal amount of \$1,104,332.00, and any and all other promissory notes hereafter at any time issued in replacement or extension thereof by Debtor, and to secure Debtor's obligations hereunder, Debtor, subject and subordinate to a security interest of Girard Bank as evidenced by a Security Agreement dated September 14, 1979 between Debtor and Girard Bank, filed with the Interstate Commerce Commission on September 14, 1979, and a security interest of Bank of Virginia as evidenced by a Security Agreement dated September 14, 1979 between Debtor and Bank of Virginia, filed with the Interstate Commerce Commission on September 24, 1979, (both such security interests hereinafter referred to as "Prior Security Interests", and both Security Agreements hereinafter referred to as "Prior Security Agreements"), hereby assigns, transfers, mortgages and pledges to the Secured Party and grants to the Secured Party a security interest in the following described collateral and in all proceeds thereof ("Collateral"):

1. all of the Debtor's right, title and interest in certain Management Agreements dated as of September 7, 1979 and September 14, 1979, between NATIONAL RAILWAY UTILIZATION CORPORATION ("Manager") and Debtor ("Management Agreements") and all revenues and other moneys due Debtor thereunder, including all proceeds of insurance, condemnation and requisition proceedings and sales or other dispositions of the property subject thereto and all the Debtor's rights, power and remedies herein and thereunder (but none of its duties or obligations thereunder, if any), including without limitation all the Debtor's rights to give and receive any notice, consent, waiver, demand or approval under or in respect of such Management Agreements, to exercise any election or option thereunder or in respect thereof, to accept any surrender of the property subject to the Management Agreements, to execute and deliver any bill of sale for any such property, and to do all other things which the Debtor is entitled to do under such Management Agreements;
2. all the equipment listed on Schedule 1 attached hereto (the "Equipment"), which Equipment is managed by the Manager pursuant to the Management Agreements, which Management Agreements have been assigned

to Girard Bank and Bank of Virginia pursuant to Assignments of Management Agreement dated September 7, 1979 and September 14, 1979, respectively, ("Assignments"), and all the Debtor's right, title and interest in the Equipment and in all parts, fittings, accessories, accessions, substitutions and replacements therefor or thereof, and all contract rights, chattel paper, accounts, rentals, fees, income and proceeds arising from and in connection with the use of the Equipment; and

3. all of the Debtor's rights and interests (but none of its duties and obligations) in and under certain Purchase Agreements relating to the Equipment dated September 7, 1979 and September 14, 1979 by and between the Debtor and National Railway Utilization Corporation ("Purchase Agreements").

A. DOCUMENTATION - the Debtor will execute and deliver to Secured Party such documents identifying the Equipment as Secured Party may from time to time reasonably request. In addition, the Debtor will execute, acknowledge, deliver, file and record all such documents, including financing statements, and take all such other action as Secured Party may reasonably request, to perfect and continue perfected under applicable laws the security interest granted hereby as second perfected security interests in the Collateral, and the Debtor hereby irrevocably constitutes and appoints Secured Party its attorney-in-fact for such purposes, with full power of substitution. The Debtor also will execute and deliver such instruments and take all such other actions as Secured Party may reasonably request to effectuate the purposes of this Agreement and to secure the rights and remedies conferred upon Secured Party hereunder.

B. DEFAULT - Each of the following will constitute an event of default hereunder ("Event of Default"):

1. the failure by Debtor to pay the outstanding principal hereunder and interest accrued thereon within five (5) days after demand therefor;
2. the failure to pay any other sums due hereunder when due;
3. the occurrence of an Event of Default under the Prior Security Agreements; or
4. the adjudication of the Debtor as bankrupt or insolvent, or the entry of an order appointing a receiver or trustee for the Debtor or any of its property or approving a petition seeking reorganization, arrangement, composition, adjustment of the debts, liquidation or dissolution of the Debtor under the Bankruptcy Act or any similar law of the United States or any state or other competent jurisdiction, or the filing by the Debtor of a petition or answer seeking or consenting to any of the foregoing, or the filing of a petition against the Debtor seeking any of the foregoing which is not dismissed within sixty (60) days, or the making by the Debtor of a general assignment for the benefit of creditors;

C. REMEDIES - At any time after the occurrence of an Event of Default and while the same remains uncured, Secured Party may declare, by written notice to the Debtor, the entire unpaid balance of the principal of the Note and interest accrued thereon to be immediately due and payable, and, in addition, Secured Party shall have and may exercise all the rights and remedies of a secured party under the applicable Uniform Commercial Code or other applicable law, including the right, subject to prior rights, if any, of the Manager under the Management Agreement and the Prior Security Interests, to take possession of any Equipment or other Collateral not then in Secured Party's possession and to dispose of it, or the Debtor's interest therein, at public or private sale, at which Secured Party, subject to the provisions of applicable law, may be the purchaser.

Any notice of any such sale required by law shall be deemed reasonably and sufficiently given to the Debtor if given at least fifteen (15) days prior to the date thereof at the address and in the manner herein provided for notices. The proceeds realized by the Lender on the exercise of any of its remedies shall be applied first to the obligations secured by the Prior Security Agreements and thereafter to the obligations secured by this Agreement in accordance with the provisions of Paragraph G and Debtor will be entitled to any surpluses thereafter. No delay or omission on Secured Party's part to exercise any right hereunder will impair any such right or be construed as a waiver of any default or any acquiescence therein.

If Girard Bank or Bank of Virginia should take possession of any Equipment or other Collateral upon an Event of Default under either Prior Security Agreement, and dispose of it or the Debtor's interest therein, at public or private sale, then the proceeds realized by the Lenders on the exercise of any of their remedies shall be applied first to the obligations secured by the Prior Security Agreements and thereafter to the obligations secured by this Agreement in accordance with the provisions of Paragraph G hereof and Debtor will be entitled to any surpluses thereafter.

No waiver of any default hereunder will affect any later default or impair any of Secured Party's rights hereunder. No single, partial or full exercise of any rights by Secured Party will preclude further or other exercise thereof. The remedies provided for herein shall not be deemed exclusive, but are cumulative and in addition to all other remedies available under applicable law.

D. PREPAYMENT OF NOTE - If any amount shall become due and payable to the Debtor because of a Casualty Occurrence with respect to any units of Equipment ("Casualty Value"), then, thereupon, an equal amount, to the extent any amount of the Casualty Value remains after payments are made to Bank of Virginia and Girard Bank pursuant to the Prior Security Agreements, will be due and payable on account of the principal of and interest accrued on the Note on the date the Casualty Value is paid.

E. COLLECTION EXPENSE - In addition to all other amounts payable hereunder and under the Note, the Debtor will pay all Secured Party's reasonable expenses, including attorneys' fees, incurred from time to time in enforcing its rights and remedies hereunder, under the Note or under the Management Agreement. If Secured

Party brings suit (or files any claim or petition in any bankruptcy, reorganization, insolvency or other proceeding) to enforce any of its rights (or other recovery or relief), Secured Party may recover in such action (or other proceeding), in addition to all other amounts payable hereunder and thereunder, its reasonable expenses in connection therewith and the same shall be included in such judgment (or other form of award).

F. COLLECTION OF REVENUES - Subject to the Prior Security Agreements, Secured Party will, on behalf of Debtor, collect and receive from the Manager all revenues and other money payable pursuant to the Management Agreements, and, subject to the Prior Security Agreements, the Secured Party may take all such action as may be necessary or desirable to demand, enforce, collect, receive and receipt for all such payments and otherwise enforce compliance by the Manager with all terms and provisions of the Management Agreements. To the extent indefeasibly received, the Secured Party will apply such payments in the manner specified in Paragraph G hereof. The Debtor agrees that all payments received by the Debtor from the Management Agreements which are payable to the Secured Party pursuant to this Agreement shall be held in trust for the Secured Party and shall be immediately paid to the Secured Party.

G. APPLICATION OF PAYMENTS - All payments in excess of payments due Bank of Virginia and Girard Bank under the Prior Security Agreements that are indefeasibly received by the Secured Party at such time as there is no Event of Default hereunder are to be applied in satisfaction of the Debtor's obligations under the Note and this Agreement shall be applied, first, to the payment of costs and expenses due to the Secured Party pursuant to Paragraph E, if any, second, to the payment of accrued interest on the Note, and thereafter to the payment of principal and all other amounts payable thereunder. The principal amount due hereunder, subsequent to a payment of Casualty Value pursuant to Paragraph D, hereof shall be reduced by the same percentage as the purchase price of the units of Equipment suffering the Casualty Occurrence bears to the aggregate purchase price of the Equipment.

H. EXCHANGE OF NOTES - Upon surrender of any Note at the office of the Debtor, the Debtor, at the request of the Secured Party, will execute and deliver new notes in exchange, in denominations requested by such Secured Party, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Such new notes shall be payable to such party as such Secured Party may request, shall be substantially in the form of the Note, with appropriate changes, and shall be dated and bear interest from the date to which interest has been paid on the surrendered Note. When issued, such notes shall be deemed to be included in the term "Note" as used herein.

I. MULTIPLE NOTES - If more than one Note is outstanding at the time any application of payments is made pursuant to Paragraphs D and G hereof, the application shall be made on all outstanding Notes ratably in accordance with the principal amount remaining unpaid thereon.

J. OTHER AGREEMENTS - All references in this Agreement to obligations of Debtor pursuant to this Agreement or payments required to be made pursuant to this Agreement shall for all purposes include, regardless of whether expressly stated,

K. APPLICABLE LAW - This Agreement and the Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Commonwealth of Pennsylvania.

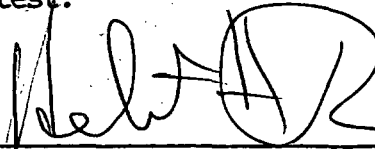
L. SEVERABILITY - Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

M. SUCCESSORS AND ASSIGNS - This Agreement will bind and inure to the benefit of the respective successors and assigns of the parties hereto, including any holder, as such, of any Note, by acceptance of an assignment hereof or of any Note. Each of the Secured Party's successors or assigns (including any holder, as such, of any Note) will be deemed to have agreed to be bound by the provisions hereof and of the Note and Secured Party's undertakings hereunder and thereunder, and Debtor shall not be relieved of the obligations hereunder by reason of any sale, assignment, or other transfer of its interest in the Management Agreement or the Equipment.

EXECUTED as of the date first above written.

(Corporate Seal)

Attest:

  
Secretary

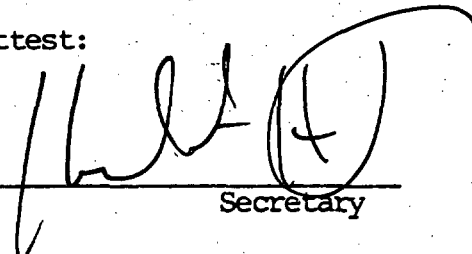
BALARD LEASING CORPORATION

By:

Title: VICE PRESIDENT

(Corporate Seal)

Attest:

  
Secretary

LEASE FINANCING CORPORATION

By:

Title: President

SCHEDULE 1 TO SECURITY AGREEMENT

Management Agreement dated as of September 7, 1979:

Quantity: 100 cars

Description: 50' 6", 70-ton Class XM boxcars

Road Numbers: NSL 151485 through 151500 (both inclusive)  
NSL 151502 through 151509 (both inclusive)  
NSL 151514 through 151518 (both inclusive)  
NSL 151521, 151522, 151524, 151544,  
NSL 151546 through 151560 (both inclusive)  
NSL 151591 through 151620 (both inclusive)  
NSL 151625 through 151627 (both inclusive)  
NSL 151644  
PT 206040  
PT 206043 through 206048 (both inclusive)  
PT 206056 through 206066 (both inclusive)

Management Agreement dated as of September 14, 1979:

Quantity: 100 cars

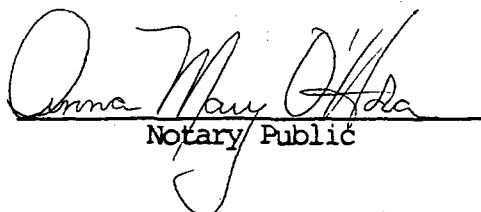
Description: 50'6", 70-ton, Plate "C" Rigid Underframe Boxcars  
with 10'0" Sliding Doors (Type XM).

Road Numbers: NSL 151645  
MISS 151646 through MISS 151647  
NSL 151648 through NSL 151652  
MISS 151653  
NSL 151654 through NSL 151659  
MISS 151660  
NSL 151661 through NSL 151666  
MISS 151667  
NSL 151668 through NSL 151687  
MISS 151688  
NSL 151689 through NSL 151690  
MISS 151691  
NSL 151692 through NSL 151699  
MISS 151700  
NSL 151701 through NSL 151705  
MISS 151706  
NSL 151707 through NSL 151709  
MISS 151710  
NSL 151711 through NSL 151720  
MISS 151721  
~~PT 206086 through PT 206098~~  
NSL 157100 through NSL 157109

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF DELAWARE :

On this 30th day of June, 1981, before me personally appeared Richard E. Caruso, to me personally known, who, being by me duly sworn, says that he is Vice President of BALARD LEASING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation and of said partnership.

(Notarial Seal)

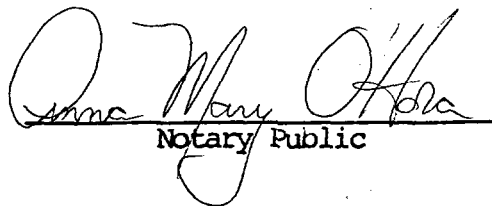
  
Notary Public

My Commission expires: ANNA MARY O'HORA, Notary Public  
Radnor Twp., Delaware Co.  
My Commission Expires May 28, 1984

COMMONWEALTH OF PENNSYLVANIA :  
: SS:  
COUNTY OF DELAWARE :

On this 30th day of June, 1981, before me personally appeared Frank P. Slattery, to me personally known, who, being by me duly sworn, says that he is President of LEASE FINANCING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(Notarial Seal)

  
Notary Public

My Commission expires: ANNA MARY O'HORA, Notary Public  
Radnor Twp., Delaware Co.  
My Commission Expires May 28, 1984